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NO. 85-478

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

PAR PHARMACEUTICAL, INC.,
Petitioner,

vs.

MERCK & CO., INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Third Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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Counter-Statement of Question Presented

Should this Court exercise its certiorari jurisdiction to review evidence concerning the trade dress of a prescription drug to determine whether the District Court's fact findings regarding the torts of "unprivileged imitation" and "passing off" are clearly erroneous, where the findings are not in conflict with this Court's decision in *Inwood Laboratories, Inc.* v. *Ives Laboratories, Inc.*, 456 U.S. 844 (1982) ("*Ives*")?

Statement Pursuant to Supreme Court Rule 28.1

Merck & Co., Inc., a publicly owned New Jersey corporation, has no parent companies. The following subsidiaries or affiliates are not wholly owned by Merck:

Arramara Teoranta

A.S.C. Service Co., Limited

Associated Pharmacuetical Products Limited

Astra/Merck, Inc.

Banyu Pharmacuetical Co., Ltd.

Charles E. Frosst (New Zealand) Limited

Floccotan (Proprietary) Limited

Kaneki & Co., Ltd.

Kelp Industries Pty. Limited

Kiinteisto Oy Irmelinpesa

Kronans Droghandel AB

Mannings Limited

Merck Sharp & Dohme (New Zealand) Limited

Merck Sharp & Dohme (Thailand) Ltd.

Merck Sharp & Dohme of Pakistan Limited

Merind Limited

Nippon Merck-Banyu Co., Limited

Seelman Pharmaceutical Co., Ltd.

Torii & Co., Ltd.

Torungavinnslan h.f.

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RESPONDENT'S BRIEF IN OPPOSITION

Opinions Below

The opinion of the United States Court of Appeals for the Third Circuit, dated May 29, 1985, affirming the judgment of the District Court, is not officially reported and is set forth at pages A-1 to A-5 of the appendix to the petition for certiorari filed by Par Pharmaceutical, Inc.

("Par"). The bench opinion of the District Court for the District of New Jersey, dated September 5, 1984, granting respondent's motion for a preliminary injunction, is not officially reported and is set forth at pages A-9 to A-22 of the appendix to the Par petition. The judgments of the Court of Appeals and the District Court are set forth at pages A-7 to A-8 and pages A-27 to A-29 of the Par appendix, respectively.

Jurisdiction

Merck & Co., Inc. ("Merck") refers the Court to the jurisdictional statement set forth at page 2 of the petition for certiorari filed by Par.

Constitutional Provisions and Statutes

Contrary to Par's assertion, Merck believes that no constitutional provisions and no New Jersey statutes are at issue in this case. The federal statutory provision involved herein is section 43(a) of the Lanham Act, 15 U.S.C. §1125 (a). This provision is set forth at page A-30 of the appendix to Par's petition.

Summary of Argument

Respondent Merck respectfully submits that the instant petition fails to present a single "special and important" reason warranting the issuance of a writ of certiorari. See Sup. Ct. Rule 17. On the contrary, the only issue raised by the disposition below is whether the Court of Appeals

correctly affirmed the District Court's findings of fact—which provided several alternative bases for its judgment under state and federal law—on the ground that those findings were not "clearly erroneous" under Rule 52(a) of the Federal Rules of Civil Procedure. Because that fact-bound determination presents no conflict with any decision of this Court or any other Circuit, and because this Court's extraordinary certiorari jurisdiction is not properly invoked "to review evidence and discuss specific facts," the petition should be denied. *United States* v. *Johnston*, 268 U.S. 220, 227 (1925).

Counter-Statement of the Case

Par's petition presents a misleading and distorted version of both the relevant facts and legal standards applicable to the issues raised by this case. Moreover, by mischaracterizing the courts within the Third Circuit as a haven for forum shoppers, petitioner attempts to create the impression of a conflict where none exists.[1]

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[1] Seeking the perceived benefits of a forum outside the Third Circuit, Par commenced a declaratory judgment action in the Seventh Circuit. *See Par Pharmaceutical, Inc.* v. *Searle Pharmaceuticals, Inc.*, No. 85 C 2027 (N.D. Ill. Aug. 20, 1985). Rather than condone Par's imitation of a brand name manufacturer's trade dress, the District Court for the Northern District of Illinois entertained a motion for a preliminary injunction brought by the brand name manufacturer on its counterclaim and applied the same standard with the same result as that complained of here by Par. In addition, Par's assertion that the courts in the Third Circuit consistently side with brand name manufacturers is belied by two decisions relied upon by Par in proceedings before the District Court below. *See Beecham, Inc.* v. *Zenith Laboratories, Inc.*, No. 81-1731 (D.N.J. Oct. 22, 1981), and *Beecham, Inc.* v. *Camall Co.*, No. 81-1731 (D.N.J. June 14, 1984).

A. The preliminary injunction proceedings in the District Court.

Merck commenced this action on April 18, 1984, alleging that petitioner Par was engaged in unfair competition in violation of section 43(a) of the Lanham Act, 15 U.S.C. §1125(a), as well as the New Jersey state laws against "unprivileged imitation" and "passing off." The complaint was filed when Merck learned that Par was soliciting purchases of indomethacin prescription drug products in sizes, colors and shapes duplicating the trade dress of Merck's INDOCIN brand indomethacin. At that time it was known that Par had not yet received clearance from the Food and Drug Administration ("FDA") to market indomethacin and it appeared that no such product was actually being shipped by Par.

During a June 8, 1984, deposition of a Par vice president, Merck learned that Par had a substantial inventory of look-alike product ready to be shipped as soon as the FDA granted clearance. Accordingly, Merck filed a motion for a preliminary injunction. On August 7, 1984, before the return date of Merck's motion, Merck learned during another deposition that Par had received FDA approval on August 6, had shipped INDOCIN indomethacin look-alike capsules on August 7, and had outstanding unfilled orders for many more millions of look-alike capsules. (A 10)[2]

On August 13, 1984, the District Court temporarily restrained Par from selling its generic version of Merck's product in confusingly similar trade dress and ordered Par to show cause why such conduct should not be pre-

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[2] The designation A- — hereinafter refers to petitioner's appendix.

liminarily enjoined. After a brief period for additional discovery and the submission of affidavits and documentary evidence, counsel were heard on September 4, 1984.

On the following day, the District Court granted Merck's motion for a preliminary injunction. The reasons for the injunction's issuance were set forth in a bench opinion containing the District Court's findings of fact and conclusions of law. The District Court held that Merck was likely to succeed on the merits of its claims that Par's intentional copying of Merck's INDOCIN trade dress constituted independent violations of the New Jersey common law of "unprivileged imitation" and "passing off" and of the federal law of "unprivileged imitation" under section 43(a) of the Lanham Act, 15 U.S.C. §1125(a). The lower court reached these conclusions based upon its determination that the instant case was governed by the Third Circuit opinion in *SK&F, Co.* v. *Premo Pharmaceutical Laboratories, Inc.*, 625 F.2d 1055 (3d Cir. 1980), *aff'g* 481 F. Supp. 1184 (D.N.J. 1979) (*"SK&F"*), and *Ciba-Geigy Corp.* v. *Bolar Pharmaceutical Co., Inc.*, 547 F. Supp. 1095 (D.N.J. 1982), *aff'd per curiam*, 719 F.2d 56 (3d Cir. 1983), *cert. denied*, 104 S. Ct. 1444 (1984) (*"Ciba-Geigy I"*). (A-14)

In addressing two elements of "unprivileged imitation," secondary meaning and nonfunctionality, the trial judge held with respect to the former that the evidence strongly supported Merck's position that the particular trade dress of its INDOCIN indomethacin had "acquired a secondary meaning denoting a common source of the product and denoting to doctors and pharmacists and at least to some patients that Merck was that source." (A-17) The District Court reached this conclusion in light of the following findings of fact: (1) Merck's continuous and exclu-

sive manufacturing of INDOCIN products since 1965, (2) Merck's continuous and exclusive marketing of INDOCIN products in the same trade dress for over nineteen years, (3) Merck's exclusive right to use INDOCIN as a trademark, (4) Merck's extensive advertising and promotion of INDOCIN brand indomethacin featuring the product's trade dress including direct promotion to patients themselves, (5) the steadily increasing and substantial sales of INDOCIN products, and (6) Par's intentional copying of the INDOCIN trade dress. (A-10 to A-13)

Merck had introduced evidence of sales aggregating more than one billion dollars and advertising expenses aggregating more than seventy-five million dollars. Merck also demonstrated that its promotional material featuring the INDOCIN indomethacin trade dress had been carried in journals read both by health care professionals and laymen and that its INDOCIN indomethacin trade dress had also appeared in books on prescription drugs directed to laymen. (A-12)

Finally, the record established that when Par commenced distribution of its indomethacin products, four other generic firms were already marketing indomethacin products in distinctly different trade dress. In fact, more than fifteen percent of all new prescriptions for indomethacin were being filled with these non-look-alike generic products. (A-12)

Stressing the extent of Par's admittedly intentional copying, the District Court found that

> [b]y design the Par product is almost indistinguishable from Merck's. Even the designation PAR which is superimposed upon the Par product appears to

> all but the most observant person to be the same symbol as Merck's MDS [sic] which appears on the INDOCIN capsule.[3] (A-17)

Significantly, the District Court found that a reason for Par's selection of a trade dress which slavishly copied the INDOCIN trade dress was "to obtain a competitive advantage over competing generic manufacturers of generic indomethacin who selected other colors." (A-13)

Turning to the second element of "unprivileged imitation," the District Court applied the *SK&F* criterion for determining nonfunctionality to the facts and found that none of the supposedly functional features of Merck's trade dress actually enhanced efficacy. (A-16; A-18 to A-19)

The evidence of nonfunctionality introduced by Merck pertained specifically to the INDOCIN indomethacin trade dress at issue in the litigation. Merck's evidence showed that there was no medical, pharmaceutical or manufacturing reason for its choice of a blue and white capsule trade dress. Merck demonstrated that neither the capsule nor

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[3] On August 13, 1984, during oral argument regarding Merck's application for a temporary restraining order, the following exchange took place between Par's counsel and the District Court:

> Mr. Roth: They don't look like the Merck capsules.
>
> The Court: They sure look like that to me. I've seen them now for the first time.
>
> Mr. Roth: Blue and white, the same size.
>
> The Court: And the black thing. You have to squint to read it. If I just—bouncing these around in my hand, I can't for the life of me tell me which is which until I go down and read the writing on each one. If I were a purchaser, I would think those were the same pills from the same place.

the color combination was essential by evidence of the successful marketing abroad by its competitors of sixteen or more brands of indomethacin products in a variety of colors and in both tablet and capsule form. Nonfunctionality was also demonstrated by Merck's own use of an ivory or pale yellow capsule trade dress in foreign markets and by the commercial availability of capsules in hundreds, if not thousands, of color combinations.

Finally, contrary to Par's assertion, Dr. Hillel Ben-Asher, a physician testifying on behalf of Merck, did not support Par's claims of functionality. Dr. Ben-Asher testified that in his twenty-six years of medical practice it has been his experience that the appearance of prescription drugs bears no relationship to their therapeutic effect.

In stark contrast, Par introduced no evidence pertaining specifically to INDOCIN indomethacin trade dress. Par relied upon two theories—the first was that all brand name prescription drug trade dress becomes functional after a period of use. Par failed to demonstrate, in any way, that this theory actually applied to Merck's INDOCIN blue and white capsule trade dress.

Moreover, in rejecting this first theory, the lower court noted that arguments advanced by Par were the same as those urged unsuccessfully by the defendants in *SK&F* and *Ciba-Geigy I* and *II*. (A-18) The District Court then stated that

> [t]he evidence in this case and the findings in other cases establish that when a prescription drug used by patients over an extended period of time, is sold in the same . . . trade dress for many years, the trade dress does, to some extent at least, (1) make

> it easier for pharmacists and nurses to dispense drugs, (2) provide a way for patients to avoid commingling drugs, and (3) give the patient a feeling of continuity and security. (A-18) [Numbering added.]

However, the District Court concluded that these advantages which can be gained from copying the trade dress were "so minimal that they cannot serve to render the trade dress functional within the meaning of New Jersey law of unprivileged imitation."[4] (A-18 to A-19)

The court also stated that it was not persuaded by the evidence that use of look-alike generic drugs materially assists a doctor in dealing with an emergency overdose situation. (A-18)

The District Court noted that Par's second theory constituted the only argument which did not appear in *SK&F* and *Ciba-Geigy I* and *II*. Specifically, Par argued that the color blue comprising one element of Merck's blue and white capsule trade dress had independent therapeutic value because Merck selected it for the "soothing" response it would produce in patients. The trial court found this argument to be inherently unconvincing. The court reasoned that if Par had really believed that the color blue possessed therapeutic qualities, i.e. enhanced the drug's

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[4] Commenting upon similar evidence of alleged functionality, the District Court in *Ciba-Geigy I* and *II* stated: "All of these contentions are predicated upon the claim that such trade dress is utilized for identification purposes. . . . Such appearance may be utilized as a secondary or incidental means of identification, but such use hardly rises to the level of functionality which would mandate or permit copying." 547 F. Supp. at 1111.

efficacy, Par would have simply selected an all-blue capsule for its indomethacin products instead of blue and white in the same pattern long used by Merck.[5] (A-18)

In finding that the INDOCIN trade dress was nonfunctional, the trial court stressed additional facts before it, including (1) the use of a wide range of different colors and shapes for the trade dress of antiarthritic drugs other than indomethacin, (2) the use of blue and white capsule trade dress for drugs in other therapeutic fields, and (3) the successful marketing of four other generic indomethacin products in the colors all green, pink and white, all orange and all white. (A-19) This last factor served as the basis for the trial judge's conclusion that "[a]ny functional uses of the blue and white color scheme were not sufficiently substantial to preclude [Merck's] competition from entering the market place." (A-19)

Having found Merck's INDOCIN trade dress nonfunctional under New Jersey common law, the trial Judge also rejected Par's argument that, with respect to section 43(a) of the Lanham Act, a different result was required by this Court's decision in *Ives*. Based on his analysis of the issues in *Ives* and of that case's procedural history, the

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[5] Par alleges that Merck itself has recognized the therapeutic effect of color and claims that such recognition is evidenced by a Merck internal memorandum designating certain colors as the color of choice for a drug in a particular therapeutic area. (Petition at 6-7.) Whereas there is no evidence that the suggestions in this internal memorandum were ever followed, it is obvious that in the case of INDOCIN they were not followed because the memorandum post-dates the trade dress decision for INDOCIN by approximately twenty years. The study does not stand for the proposition that Par contends it does and the District Court did not agree with Par's reading.

trial judge concluded that *Ives* did not constitute a ruling on functionality under either section 32 or section 43(a) of the Lanham Act. (A-20)

As another basis for its ruling, the District Court also addressed Merck's "passing off" claim under New Jersey state law. The District Court found—as a matter of fact—a set of circumstances which warranted the conclusion that Merck was likely to succeed on the merits on its New Jersey common law "passing off" claim. (A-17)

This set of circumstances included (1) Par's admission of deliberately producing an exact copy of Merck's INDOCIN trade dress, (2) Par's use of this similarity as a selling point when promoting its product among pharmacists, (3) Par product being touted as an "INDOCIN GENERIC LOOK-ALIKE" by one of Pars customers, (4) Par's belief that there are pharmacists who are inclined to substitute generic products illegally, (5) the presence of a motive for illegal substitution, (6) the presence of an opportunity for illegal substitution, and (7) in light of the inclination, motive and opportunity for unauthorized substitution, Par's use of a warning label which the Court found to be wholly inadequate for the purported purpose of discouraging customers from unauthorized substitution. (A-17) On this basis, the District Court concluded that Par's conduct readily constituted the tort of "passing off" under New Jersey law as set forth in *SK&F*, 625 F.2d at 1062-63. (A-15 to A-16)

Finally, the District Court concluded that the remedies provided under the Lanham Act should be invoked as a means to further "the public . . . interest in drug manufacturers building and maintaining reputations for good quality products." (A-21)

On the foregoing basis, the District Court entered an order preliminarily enjoining Par from the sale and distribution of indomethacin in the INDOCIN trade dress. (A-22)

B. The District Court's entry of final judgment.

On September 25, 1984, at Par's urging and with Merck's consent, the District Court adopted its findings and conclusions on the motion for preliminary injunction as final and entered a permanent injunction and judgment against Par. (A-23 to A-25) Par then appealed to the Third Circuit.

C. The Third Circuit's affirmance and denial of rehearing *en banc*.

On May 29, 1985, the Third Circuit unanimously affirmed the District Court's permanent injunction. (A-5) In a memorandum opinion, the Court of Appeals agreed with the District Court's reliance on *SK&F* and stated:

> But what more strikingly compels us to uphold the district court's injunction is that after the district court in the case before us here had issued its opinion, our court decided another trade dress case, *Ciba-Geigy Corp.* v. *Bolar Pharmaceutical Co., Inc.*, 747 F.2d 844 (3d Cir. 1984) ("*Ciba-Geigy II*"). (A-4)

After reviewing the record, the briefs and arguments of counsel, the Court of Appeals held that the District Court had not only applied the correct legal standards, but had

also not committed any obvious errors in determining the facts. (A-4 to A-5)

With respect to Merck's claim for "unprivileged imitation" under New Jersey law, the Court of Appeals applied a three prong test: nonfunctionality, likelihood of confusion and secondary meaning. Recognizing that almost identical contentions of functionality had been unsuccessfully urged in *Ciba-Geigy II,* the Court of Appeals again found no error in the lower court's finding that, as a matter of fact, the blue and white trade dress was nonfunctional, that the imitation was likely to cause confusion and that Merck's blue and white capsules had acquired secondary meaning. (A-5)

As for Par's contention that the trial judge had erred in failing to read *Ives* as precluding him as a matter of law from evaluating the relevant evidence and concluding that the INDOCIN trade dress was nonfunctional, the Court of Appeals did not dignify with renewed discussion an issue it had laid to rest in *Ciba-Geigy II.* Detecting no error in the District Court's findings as to nonfunctionality and secondary meaning, the Third Circuit affirmed Merck's success on its federal cause of action under section 43(a) of the Lanham Act. (A-5)

With respect to Merck's New Jersey common law "passing off" claim, the Court of Appeals, following its decision in *Ciba-Geigy II,* affirmed the District Court's application of the "reasonable anticipation" standard under state law and found no clear error in the District Court's fact finding that Par could have reasonably anticipated that pharmacists would illegally substitute Par's drug for that of Merck. (A-4)

Following the panel's affirmance, Par petitioned the Third Circuit for rehearing or rehearing *en banc*. On June 25, 1985, that petition was denied, "no judge who concurred in the decision having asked for rehearing, and a majority of the circuit judges of the circuit in regular active service not having voted for rehearing by the court in banc." (A-6)

Thereafter, Par filed the instant petition.

REASONS FOR DENYING THE WRIT

I. The sparing exercise of this Court's discretionary certiorari jurisdiction is not warranted to review the Court of Appeals' holding that the District Court's fact findings with respect to the tort of "unprivileged imitation" under federal and state law were not clearly erroneous.

Where the judgment affirmed by the Court of Appeals rested upon alternative findings of liability for "unprivileged imitation" under state and federal law as well as a finding of liability for "passing off" under state law and where none of these findings is in conflict with this Court's decision in *Ives,* the extraordinary certiorari jurisdiction of this Court should not be exercised.

Contrary to Par's contention (Petition at i and 10), the Third Circuit's affirmance of the District Court's non-functionality holdings under state and federal law does not "conflict" with this Court's limited disposition in *Ives.* There is no conflict in legal standards, as Par asserts. The difference in result between this case and *Ives* is attributable solely to the fact that two trial judges, after evaluating the evidence before them, reached different fac-

tual conclusions with respect to the particular issue before them. The Third Circuit's holding that the District Court's finding of nonfunctionality was not clearly erroneous is simply a fact-bound determination which is not worthy of certiorari.

Contrary to Par's contention, the District Court has not "announced a new rule that a trade feature is not functional, as a matter of law, if other companies were able to enter the market without imitating that feature, even if there are legitimate reasons to imitate." (Petition at 10.) Rather, the trial judge relied on the legal standard for functionality enunciated by the Third Circuit in *SK&F* (which in turn relied on this Court's decision in *William R. Warner & Co.* v. *Eli Lilly & Co.*, 265 U.S. 526 (1924) ("*Warner*")) and, applying that standard to the evidence before him, found that Merck's INDOCIN trade dress was nonfunctional. (A-18 to A-19)

Nor did the Third Circuit permit the application of a "new rule" when it affirmed the lower court's fact finding as not being clearly erroneous. In fact, the Court of Appeals felt "compelled" to uphold the District Court's injunction in this case by its own decision in *Ciba-Geigy II*. There the Third Circuit affirmed a fact finding of nonfunctionality by another trial judge who expressly applied the legal standard for functionality enunciated by this Court in *Ives*, finding no inconsistency between that standard and the one enunciated in *SK&F*.[6]

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[6] In *Ives*, this Court noted that "[i]n general terms a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." 456 U.S. at 850 n. 10.

By mischaracterizing the holdings of the courts below and this Court's holding in *Ives,* Par attempts to create a conflict where none exists. As the Third Circuit noted in *Ciba-Geigy II,* any "assertion that *Ives* held that trade dress is functional as a matter of law is incorrect." 747 F.2d at 854 n. 7. The impact of this Court's holding in *Ives* was correctly analyzed by the District Court below.

Ives, the brand name manufacturer, instituted suit against Inwood, the manufacturer of the generic look-alike drug, under sections 32 and 43(a) of the Lanham Act. After a trial, the District Court found that Inwood's conduct did not violate section 32 since Inwood had not suggested, not even by implication, that pharmacists should dispense the generic drugs incorrectly as Ives' product. Ruling on Ives' section 43(a) claim, the District Court for the Eastern District of New York found on the basis of the evidence submitted in that case that the color scheme which Inwood copied was functional and did not indicate the drug's origin. (A-19)

The Court of Appeals for the Second Circuit concluded that Inwood had violated section 32 and reversed without reaching Ives' section 43(a) claim. Upon its review of the Second Circuit decision, this Court analyzed the law concerning contributory infringement in violation of section 32 and reversed the Court of Appeals because it erred in setting aside findings of fact without holding that they were clearly erroneous. (A-19)

Neither the Second Circuit nor this Court purported to rule on Ives' section 43(a) claim. (A-20)

Thus, the District Court in this action correctly held that *Ives* does not constitute a ruling on functionality of trade dress under either section 32 or section 43(a). (A-20) And certainly *Ives* does not create, as Par claims, a legal standard of functionality, but rather leaves untouched the traditional rule that functionality is a question of fact. *Warner,* 265 U.S. at 529.

A critical distinction between this case and *Ives* is that here the Third Circuit affirmed a district court finding of fact as not being clearly erroneous, whereas in *Ives* the Second Circuit reversed a district court finding of fact without holding that it was clearly erroneous.

It is not correct to say, as Par does, that in this case and in *Ives* "the lower courts have reviewed basically the same evidence of functionality." (Petition at 11) For example, evidence in the area of market entry differed dramatically. In *Ives,* there was evidence before the trial court that Inwood's parent company had discontinued the sale of a non-look-alike product because it had been difficult to sell. *Ives Laboratories, Inc.* v. *Darby Drug Co.,* 488 F. Supp. 394, 399 (E.D.N.Y. 1980), *rev'd,* 638 F. 2d 538 (2d Cir. 1981), *rev'd sub nom. Inwood Laboratories, Inc.* v. *Ives Laboratories, Inc.,* 456 U.S. 844 (1982), *aff'd mem. on remand,* 697 F. 2d 291 (2d Cir. 1982). Here, in contrast, the trial judge expressly noted that four other generic indomethacin products in distinctly different looking capsules were successfully competing with INDOCIN indomethacin (A-19). The District Court noted that Par could have done the same with its indomethacin product and "built

its own reputation as the other manufacturers of the generic product had done." [7] (A-20 to A-21)

In sum, the only issue properly raised by Par's petition with respect to "unprivileged imitation" under New Jersey law and the Lanham Act is whether the Third Circuit, applying the clearly erroneous standard, erred in affirming the District Court's fact finding of nonfunctionality. This issue hardly warrants the grant of certiorari. This Court had long held the view that "[w]e do not grant certiorari to review evidence and discuss specific facts." *United States* v. *Johnston,* 268 U.S. 220, 227 (1925). This Court has made it clear that "it 'cannot undertake to review concurrent findings of fact by two courts below in the absence of a very obvious and exceptional showing of error.'" *Berenyi* v. *Immigration Director,* 385 U.S. 630, 635 (1967) (quoting *Graver Manufacturing Co.* v. *Linde Co.,* 336 U.S. 271, 275 (1949).[8] No such "obvious and exceptional" showing has been made here.

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[7] Contrary to Par's assertion (Petition at 7), a Merck study referred to by Par did not address the issue of look-alike products versus non-look-alike products, but rather sought to compare substitution rates of products having distinct colors, shapes or markings (e.g. a green triangular tablet with a central hole) with the substitution rates of products having plain or nondistinctive appearances (e.g. a little white round pill). Moreover, the Merck report itself indicated that the difference between the substitution rate figures (7% versus 12%) was not statistically significant. The documents on their face belie Par's assertion and the trial judge, after full argument on those documents did not express any agreement with Par's reading.

[8] Indeed in *Ives* itself, Justice White stated that "if the issue presented in the petitions for certiorari had been whether the clearly-erroneous standard, although properly invoked, was erroneously applied, it is doubtful in my mind that this fact-bound issue would have warranted certiorari." 456 U.S. at 859.

II. In holding that Par is liable for the tort of "passing off" the District Court made no finding of fact which was clearly erroneous and applied the correct legal standard under state law.

The trial judge found as a matter of fact a set of circumstances which warranted the conclusion that Merck had succeeded on the merits on its "passing off" claim under New Jersey law. Evidence introduced by Merck and the findings of the District Court establish the existence of an inclination, motive and opportunity for unauthorized substitutions of Par's indomethacin product for Merck's INDOCIN indomethacin product. The evidence and findings also demonstrate that there was not only a reasonable anticipation, but also an actual expectation by Par that such unauthorized substitutions would occur. Specifically, against the background of a known inclination, motive and opportunity, Par affixed to its indomethacin products a label which was insufficient for the purported purpose of discouraging its customers from making unauthorized substitutions. In the absence of any real deterrant effect, the natural effect of Par's warning label was to highlight the possibility of substitutions and, therefore, augment a known propensity.

Par does not contend that the District Court's findings of fact were clearly erroneous or did not meet the standards for a finding of "passing off" under state law articulated in *SK&F* and *Ciba-Geigy I* and *II*. Rather, Par argues that the Third Circuit's affirmance of the District Court's reliance on these standards was in error because, Par asserts, *Ives* rejected the *SK&F* "reasonable anticipation" standard for the tort of "passing off."

Par's petition advances, as a reason why this Court should grant certiorari, an issue which neither the District Court nor the Third Circuit addressed—whether *Ives* overruled the "reasonable anticipation" test for the tort of "passing off" under section 43(a) of the Lanham Act. (Petition at 13-17.) Even though briefed by both parties before both courts below, neither court found it necessary to reach this issue where the judgment affirmed by the Court of Appeals rested upon three alternative theories of liability—"unprivileged imitation" under federal and state law and "passing off" under New Jersey common law. The applicability of the "reasonable anticipation" test was discussed only in connection with New Jersey law. To grant certiorari to resolve an issue not reached below would clearly violate this Court's own rule against rendering advisory opinions. Indeed, there is no need to reach this issue, since the alternative holdings with respect to "unprivileged imitation" under federal and state law provide an independently sufficient basis to support the judgments below.

Nor is the lower courts' interpretation of New Jersey law a matter worthy of certiorari. Ordinarily this Court accepts and therefore does "not review, save in exceptional cases, the considered determination of questions of state law by the intermediate federal appellate courts." *Huddleston* v. *Dwyer,* 322 U.S. 232, 237 (1944); *Estate of Spiegel* v. *Commissioner,* 335 U.S. 701, 707-708 (1949).

Par's contention that the Third Circuit's interpretation of New Jersey law contravenes this Court's holdings in *Sears, Roebuck & Co.* v. *Stiffel Co.,* 376 U.S. 225 (1964) and *Compco Corp.* v. *Day-Brite Lighting, Inc.,* 376 U.S. 234 (1964), is also without merit. In *Sears* and *Compco,*

this Court held that a state may not impose liability upon a competitor for copying an unpatented product and thereby grant a perpetual state-protected design patent. *Sears,* 376 U.S. at 231-32; *Compco,* 376 U.S. at 237-38. But this Court left undisturbed state laws of unfair competition. Plainly contemplating that there would be some means, such as trade dress or labeling, by which a manufacturer could identify his product and distinguish it from similar products, this Court wrote in *Sears*:

> Doubtless a State may, in appropriate circumstances, require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers from being misled as to the source, just as it may protect businesses in the use of their trademarks, labels, or distinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods.

376 U.S. at 232 (footnote omitted; quoted in *SK&F,* 625 F.2d at 1064).

Even if the District Court had found a "passing off" violation of section 43(a) on the basis of the "reasonable anticipation" standard, which it did not do, there would still be no conflict with *Ives* because that case, unlike this one, did not involve a claim of "passing off" under section 43(a). In *Ives,* this Court never reached the section 43(a) claim. The reversal of the Second Circuit for failure to comply with Rule 52's clearly erroneous standard was limited to plaintiff's claim of contributory trademark infringement under section 32 of the Lanham Act. This Court's opinion, written by Justice O'Connor, concluded with the statement:

> Although the District Court also dismissed Ives' claims alleging that the petitioners violated Section 43(a) of the Lanham Act and the state unfair competition law, the Court of Appeals did not address those claims. Because Section 43(a) prohibits a broader range of practices than does Section 32, as may the state unfair competition law, the District Court's decision dismissing Ives' claims based upon those statutes must be independently reviewed. Therefore, we remand to the Court of Appeals for further proceedings consistent with this opinion.

456 U.S. at 858-59 (quoted by the trial court below at A-20).

No matter how strenuously Par attempts to create the impression of a conflict between this Court's decision in *Ives* and the lower courts' holding in this case, no such conflict does in fact exist.

CONCLUSION

It is submitted that the Court should deny issuance of its writ to review the decision of the Court of Appeals because petitioner has failed to identify any of the special and important reasons necessary for acceptance of jurisdiction. The decision below does not conflict with any of this Court's holdings. Par's petition should therefore be denied.

Respectfully submitted,

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